

Message Text

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TO AMEMBASSY QUITO

C O N F I D E N T I A L STATE 308144

E.O. 11652: GDS

TAGS: EINV, EC

SUBJECT: TREASURY OFFICIAL MEETS WITH ECUADOREAN CHARGE
TO DISCUSS THE GOE REQUEST FOR A CONSULTATIVE GROUP AND
CURRENT INVESTMENT DISPUTES

REFS: (A) STATE 288367 (B) STATE 303737 (C) STATE
301074

1. THIS MESSAGE PROVIDES YOU WITH THE BACKGROUND TO
REFERENCE B.

2. AN IBRD SOURCE IN WASHINGTON REPORTED LAST MONTH THAT
THE GOE SUPREME COUNCIL HAD REACHED SOME SORT OF DECISION,
NOT YET DISCLOSED, ON THE ADA CLAIM. GOE OFFICIAL REPORT-
EDLY CONVEYED ASSURANCES THAT POSITIVE ACTION WOULD BE
TAKEN ON THIS CASE (SEE REFTEL A).
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3. THIS UNCONFIRMED REPORT ARRIVED JUST PRIOR TO A
NOVEMBER 24 MEETING BETWEEN DEPUTY ASSISTANT SECRETARY
RICHARD ERB OF TREASURY AND THE ECUADOREAN CHARGE, LUCINDO
ALMEIDA. ORIGINALLY, THE MEETING HAD BEEN ARRANGED BY
TREASURY IN ORDER TO DISCUSS THE ADA CASE. IN LIGHT OF NEW

INFORMATION OUTLINED IN PARAGRAPH 2 ABOVE, IT WAS DECIDED
INSTEAD TO FOCUS THE DISCUSSIONS ON THE PREPARATION FOR A

CONSULTATIVE GROUP ON PRIVATE CAPITAL LOANS TO ECUADOR.
WITH A VIEW TOWARD ENCOURAGING FURTHER GOE STEPS TOWARD
REACHING A FINAL SETTLEMENT, TREASURY EXPRESSED USG
WILLINGNESS TO PARTICIPATE IN A CG EARLY NEXT YEAR. ERB
COMMENTED THAT TREASURY WAS PLEASED THAT ECUADOR WAS
SEEKING TO EXPLORE IN THE CG WAYS TO IMPROVE ECUADOR'S
ACCESS TO CAPITAL MARKETS.

4. ERB THEN CONVEYED OUR IMPRESSION THAT PROGRESS HAD
BEEN MADE IN RESOLVING THE EXISTING INVESTMENT DISPUTES
AND THAT WE CONSIDERED THIS A POSITIVE SIGN. HE STRESSED
THE IMPORTANCE OF RESOLVING INVESTMENT DISPUTES AND
PUTTING THEM BEHIND US SO THAT ADDITIONAL FOREIGN INVEST-
MENT FLOWS COULD BE STIMULATED. BY REFERRING TO THESE
DISPUTES DURING THE MEETING AND IN A FOLLOW-UP LETTER
(REFTEL B), ERB LINKED OUR WILLINGNESS TO PARTICIPATE IN
THE CG WITH CONTINUED PROGRESS IN RESOLVING THE GULF AND
ADA CASES.

5. ERB ATTEMPTED TO DRAW OUT THE CHARGE ON THE DETAILS
OF THE NEGOTIATIONS. HOWEVER, THE CHARGE DID NOT APPEAR
TO BE WELL INFORMED AND WAS UNABLE TO PROVIDE US WITH
FURTHER SPECIFICS. HE DID STATE THAT THE GOE WAS NEGOTI-
ATING WITH THE U.S. COMPANIES TO ARRIVE AT A DEAL WHICH
WOULD RESOLVE THE DISPUTES. (NO ACTUAL MENTION OF ADA'S
NAME WAS MADE BY EITHER SIDE. HOWEVER, PRIOR TO THE
MEETING, TREASURY HAD INFORMED THE ECUADOREAN EMBASSY
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THAT THE TOPIC OF DISCUSSION WOULD BE ADA). ERB NOTED
THAT USG PARTICIPATION IN THE CG WOULD UNDOUBTEDLY
INVOLVE TREASURY IN VIEW OF THE LATTER'S SPECIAL INTEREST
IN PROMOTING LDC ACCESS TO THE U.S. CAPITAL MARKET.

6. THE CHARGE THANKED MR. ERB FOR THE POSITIVE INTEREST
THE USG HAD EXPRESSED IN PARTICIPATING IN A CG AND
REQUESTED THAT ERB FURNISH HIM WITH A BRIEF WRITTEN STATE-
MENT WHICH SPELLED OUT USG VIEWS ON THE CG. MR. ERB
RESERVED ON HOW WE WOULD CONVEY OUR VIEWS UNTIL HE HAD
HAD THE OPPORTUNITY TO CONSULT INTERNALLY ABOUT THE
MOST APPROPRIATE PROCEDURE. (DONE VIA LETTER REF B)

7. NO OTHER SUBSTANTIVE TOPICS WERE DISCUSSED.

8. COMMENT. TREASURY'S POSITIVE RESPONSE TO THE
ECUADOREAN OVERTURE FOR A CG NEXT YEAR IS BASED ON ITS
EXPECTATION THAT THE GOE WILL CONTINUE TO MAKE SIGNIFICANT

PROGRESS IN RESOLVING OUTSTANDING INVESTMENT DISPUTES, INCLUDING ADA. THE EXTENT OF PROGRESS BETWEEN NOW AND THE START OF THE CG MEETINGS WILL BE AN IMPORTANT FACTOR WHICH WASHINGTON WILL TAKE INTO ACCOUNT AS IT MAKES PLANS FOR

USG PARTICIPATION. AN UNFAVORABLE TURN OF EVENTS COULD CAUSE USG TO REASSESS CURRENT DECISION TO PARTICIPATE.

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